

ARIZONA CORPORATION COMMISSION
UTILITIES DIVISION

ANNUAL REPORT MAILING LABEL - MAKE CHANGES AS NECESSARY

E-01345A
Arizona Public Service Company
P.O. Box 53999 Station 9905
Phoenix AZ 850723999

ANNUAL REPORT

FOR YEAR ENDING

12	31	2003
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FOR COMMISSION USE

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COMPANY INFORMATION

Company Name (Business Name) <u>Arizona Public Service Company</u>		
Mailing Address <u>PO Box 53999</u>		
<u>Phoenix</u>	<u>Arizona</u>	<u>85072-3999</u>
(City)	(State)	(Zip)
<u>(602) 250-1000</u>	<u>(602) 250-3003</u>	<u>N/A</u>
Telephone No. (Include Area Code)	Fax No. (Include Area Code)	Pager/Cell No. (Include Area Code)
Email Address _____		
Local Office Mailing Address <u>SAME AS ABOVE</u>		
_____	_____	_____
(City)	(State)	(Zip)
<u>Local Office Telephone No. (Include Area Code)</u>	<u>Fax No. (Include Area Code)</u>	<u>Pager/Cell No. (Include Area Code)</u>
Email Address _____		

MANAGEMENT INFORMATION

Management Contact: <u>Jana Van Ness</u>		<u>Manager, Regulatory Compliance</u>	
(Name)		(Title)	
<u>400 North 5th St. RMS 9908</u>	<u>Phoenix</u>	<u>Arizona</u>	<u>85004</u>
(Street)	(City)	(State)	(Zip)
<u>(602) 250-2310</u>	<u>(602) 250-3003</u>	<u>N/A</u>	
Telephone No. (Include Area Code)	Fax No. (Include Area Code)	Pager/Cell No. (Include Area Code)	
Email Address <u>Jana.VanNess@aps.com</u>			
On Site Manager: <u>N/A</u>			
(Name)			
_____	_____	_____	_____
(Street)	(City)	(State)	(Zip)
<u>Telephone No. (Include Area Code)</u>	<u>Fax No. (Include Area Code)</u>	<u>Pager/Cell No. (Include Area Code)</u>	
Email Address _____			

☒ Please mark this box if the above address(es) have changed or are updated since the last filing.

Statutory Agent: CT Corporation

(Name)

3225 North Central

(Street)

Phoenix

(City)

Arizona

(State)

85012

(Zip)

(602) 277-4792

Telephone No. (Include Area Code)

N/A

Fax No. (Include Area Code)

Pager/Cell No. (Include Area Code)

Attorney: Nancy C. Loftin, Vice President, General Counsel, & Secretary

(Name)

400 North 5th St., MS 9068

(Street)

Phoenix

(City)

Arizona

(State)

85004

(Zip)

(602) 250-3252

Telephone No. (Include Area Code)

(602) 250-2873

Fax No. (Include Area Code)

N/A

Pager/Cell No. (Include Area Code)

☐ Please mark this box if the above address(es) have changed or are updated since the last filing.

OWNERSHIP INFORMATION

Check the following box that applies to your company:

☐ Sole Proprietor (S)☒ C Corporation (C) (Other than Association/Co-op)☐ Partnership (P)☐ Subchapter S Corporation (Z)☐ Bankruptcy (B)☐ Association/Co op (A)☐ Receivership (R)☐ Limited Liability Company☐ Other (Describe) _____

COUNTIES SERVED

Check the box below for the county/ies in which you are certificated to provide service:

☒ APACHE☒ COCHISE☒ COCONINO☒ GILA☐ GRAHAM☐ GREENLEE☒ LA PAZ☒ MARICOPA☐ MOHAVE☒ NAVAJO☒ PIMA☒ PINAL☐ SANTA CRUZ☒ YAVAPAI☒ YUMA☐ STATEWIDE

SERVICES AUTHORIZED TO PROVIDE

Check the following box/s for the services that you are authorized to provide:

☒ **Electric**

- ☒ Investor Owned Electric
- ☐ Rural Electric Cooperative
- ☐ Utility Distribution Company
- ☐ Electric Service Provider
- ☐ Transmission Service Provider
- ☐ Meter Service Provider
- ☐ Meter Reading Service Provider
- ☐ Billing and Collection
- ☐ Ancillary Services
- ☐ Generation Provider
- ☐ Aggregator/Broker

☐ **Telecommunications**

- ☐ Incumbent Local Exchange Carrier
- ☐ Interexchange Carrier
- ☐ Competitive Local Exchange Carrier
- ☐ Reseller
- ☐ Alternative Operator Service Provider

☐ **Gas**

- ☐ Natural Gas
- ☐ Propane

☐ **Other (Specify)** _____

STATISTICAL INFORMATION

TELECOMMUNICATION UTILITIES ONLY

Total residential access lines _____

Total business access lines _____

Total revenue from Arizona operations \$ _____

Total income from Arizona operations \$ _____

Value of assets used to serve Arizona customers \$ _____

Accumulated depreciation associated with those assets \$ _____

STATISTICAL INFORMATION (CONT'D)ELECTRIC UTILITY PROVIDERS ONLY

Total number of customers	953,317	
Residential	848,334	
Commercial	100,285	
Industrial	3,361	
Public street and highway lighting	937	
Irrigation	334	
Resale	66	
Total kilowatt-hours sold	44,799,324,000	kWh
Residential	11,147,195,000	
Commercial	10,961,417,000	
Industrial	2,322,074,000	
Public street and highway lighting	104,993,000	
Irrigation	26,626,000	
Resale	20,237,019,000	
Maximum Peak Load	6,332.4	MW

GAS UTILITIES ONLY

Total number of customers		
Residential		
Commercial		
Industrial		
Irrigation		
Resale		
Total therms sold		therms
Residential		
Commercial		
Industrial		
Irrigation		
Resale		

ARIZONA PUBLIC SERVICE COMPANY
STATEMENTS OF INCOME

	Year Ended December 31,		
	2003	2002	2001
	(dollars in thousands)		
Electric Operating Revenues:			
Regulated electricity segment	\$ 1,999,390	\$ 1,902,112	\$ 1,984,305
Marketing and trading segment	105,541	34,054	367,793
Total	<u>2,104,931</u>	<u>1,936,166</u>	<u>2,352,098</u>
Purchased Power and Fuel Costs:			
Regulated electricity segment	606,251	438,141	649,405
Marketing and trading segment	97,180	32,662	132,544
Total	<u>703,431</u>	<u>470,803</u>	<u>781,949</u>
Operating Revenues less Purchased Power and Fuel Costs	<u>1,401,500</u>	<u>1,465,363</u>	<u>1,570,149</u>
Other Operating Expenses:			
Operations and maintenance	513,604	495,845	465,561
Depreciation and amortization	389,240	399,640	420,893
Income taxes (Note 4)	91,646	132,953	183,640
Other taxes	108,852	107,925	101,077
Total	<u>1,103,342</u>	<u>1,136,363</u>	<u>1,171,171</u>
Operating Income	<u>298,158</u>	<u>329,000</u>	<u>398,978</u>
Other Income (Deductions):			
Income taxes (Note 4)	4,792	6,148	504
Allowance for equity funds used during construction	14,240	--	--
Other income (Note 17)	20,277	5,149	20,207
Other expense (Note 17)	(12,962)	(19,338)	(20,790)
Total	<u>26,347</u>	<u>(8,041)</u>	<u>(79)</u>
Interest Deductions:			
Interest on long-term debt	142,706	128,462	126,118
Interest on short-term borrowings	4,904	5,416	4,407
Debt discount, premium and expense	3,337	2,888	2,650
Capitalized interest	(7,379)	(15,150)	(14,964)
Total	<u>143,568</u>	<u>121,616</u>	<u>118,211</u>
Income Before Accounting Change	<u>180,937</u>	<u>199,343</u>	<u>280,688</u>
Cumulative Effect of Change in Accounting for Derivatives – net of income taxes of \$9,892	--	--	(15,201)
Net Income	<u>\$ 180,937</u>	<u>\$ 199,343</u>	<u>\$ 265,487</u>

See Notes to Financial Statements.

ARIZONA PUBLIC SERVICE COMPANY
BALANCE SHEETS
ASSETS

	December 31,	
	2003	2002
	(dollars in thousands)	
Utility Plant (Notes 1, 6, 8, 9 and 11)		
Electric plants in service and held for future use	\$ 8,826,033	\$ 8,299,131
Less accumulated depreciation and amortization	3,089,645	2,885,798
Total	5,736,388	5,413,333
Construction work in progress	187,478	329,089
Intangible assets, net of accumulated amortization	94,181	93,259
Nuclear fuel, net of accumulated amortization of \$58,053 and \$59,163	52,011	51,124
Utility Plant – net	6,070,058	5,886,805
Investments and Other Assets		
Notes Receivable from Pinnacle West Energy (Notes 1 and 3)	497,865	--
Decommissioning trust accounts (Note 11)	240,645	194,440
Assets from risk management and trading activities -- long-term	18,001	31,622
Other assets	64,119	57,380
Total Investments and Other Assets	820,630	283,442
Current Assets:		
Cash and cash equivalents	112,002	42,549
Accounts receivable:		
Service customers	190,884	136,945
Other (Note 1)	67,540	202,597
Allowance for doubtful accounts	(3,743)	(1,341)
Accrued utility revenues	71,501	72,915
Materials and supplies (at average cost)	80,682	79,985
Fossil fuel (at average cost)	28,360	28,185
Deferred income taxes (Note 4)	--	4,094
Assets from risk management and trading activities	52,448	39,616
Other	6,969	7,945
Total Current Assets	606,643	613,490
Deferred Debits:		
Regulatory assets (Notes 1 and 3)	164,804	241,045
Unamortized debt issue costs	19,797	16,696
Other	73,056	80,760
Total Deferred Debits	257,657	338,501
Total Assets	\$ 7,754,988	\$ 7,122,238

See Notes to Financial Statements.

**ARIZONA PUBLIC SERVICE COMPANY
BALANCE SHEETS
LIABILITIES AND EQUITY**

	December 31,	
	2003	2002
	(dollars in thousands)	
Capitalization:		
Common stock	\$ 178,162	\$ 178,162
Additional paid-in capital	1,246,804	1,246,804
Retained earnings	830,569	819,632
Accumulated other comprehensive income (loss):		
Minimum pension liability adjustment	(57,158)	(61,487)
Derivative instruments	5,253	(23,799)
Common stock equity	2,203,630	2,159,312
Long-term debt less current maturities (Note 6)	2,415,946	2,217,340
Total Capitalization	4,619,576	4,376,652
Current Liabilities:		
Current maturities of long-term debt (Note 6)	206,727	3,503
Accounts payable	131,383	118,133
Accrued taxes	90,474	82,557
Accrued interest	42,702	42,608
Customer deposits	45,481	39,865
Deferred income taxes (Note 4)	631	--
Liabilities from risk management and trading activities	58,138	59,773
Other	60,008	51,820
Total Current Liabilities	635,544	398,259
Deferred Credits and Other:		
Deferred income taxes (Note 4)	1,248,397	1,225,552
Regulatory Liabilities (Notes 1, 3 and 4)	510,423	26,264
Liability for asset retirements and removals (Note 11)	234,440	600,431
Pension liability (Note 7)	160,639	156,442
Unamortized gain – sale of utility plant (Note 8)	54,909	59,484
Customer advances for construction	52,783	45,513
Liabilities from risk management and trading activities	4,502	36,678
Other	233,775	196,963
Total Deferred Credits and Other	2,499,868	2,347,327
Commitments and Contingencies (Note 10)		
Total Liabilities and Equity	\$ 7,754,988	\$ 7,122,238

See Notes to Financial Statements.

**VERIFICATION
AND
SWORN STATEMENT**
Intrastate Revenues Only

VERIFICATION

STATE OF Arizona

I, THE UNDERSIGNED

OF THE

COUNTY OF (COUNTY NAME)	<u>Maricopa</u>
NAME (OWNER OR OFFICIAL) TITLE	<u>Chris Froggatt VP and Controller</u>
COMPANY NAME	<u>Arizona Public Service Company</u>

DO SAY THAT THIS ANNUAL UTILITY REPORT TO THE ARIZONA COPORATION COMMISSION

FOR THE YEAR ENDING

MONTH	DAY	YEAR
12	31	2003

HAS BEEN PREPARED UNDER MY DIRECTION, FROM THE ORIGINAL BOOKS, PAPERS AND RECORDS OF SAID UTILITY; THAT I HAVE CAREFULLY EXAMINED THE SAME, AND DECLARE THE SAME TO BE A COMPLETE AND CORRECT STATEMENT OF BUSINESS AND AFFAIRS OF SAID UTILITY FOR THE PERIOD COVERED BY THIS REPORT IN RESPECT TO EACH AND EVERY MATTER AND THING SET FORTH, TO THE BEST OF MY KNOWLEDGE, INFORMATION AND BELIEF.

SWORN STATEMENT

IN ACCORDANCE WITH THE REQUIREMENT OF TITLE 40, ARTICLE 8, SECTION 40-401, ARIZONA REVISED STATUTES, IT IS HEREIN REPORTED THAT THE GROSS OPERATING REVENUE OF SAID UTILITY DERIVED FROM ARIZONA INTRASTATE UTILITY OPERATIONS DURING CALENDAR YEAR 2003 WAS:

Arizona IntraState Gross Operating Revenues Only (\$)

\$ 2,068,249,879

(THE AMOUNT IN BOX ABOVE
INCLUDES \$ 134,889,025
IN SALES TAXES BILLED, OR COLLECTED)

****REVENUE REPORTED ON THIS PAGE MUST INCLUDE SALES TAXES BILLED OR COLLECTED. IF FOR ANY OTHER REASON, THE REVENUE REPORTED ABOVE DOES NOT AGREE WITH TOTAL OPERATING REVENUES ELSEWHERE REPORTED, ATTACH THOSE STATEMENTS THAT RECONCILE THE DIFFERENCE. (EXPLAIN IN DETAIL)**

Chris Froggatt
SIGNATURE OF OWNER OR OFFICIAL

TELEPHONE NUMBER _____

SUBSCRIBED AND SWORN TO BEFORE ME

A NOTARY PUBLIC IN AND FOR THE COUNTY OF

THIS

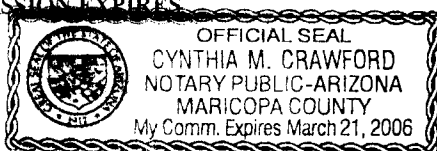
14th

DAY OF

COUNTY NAME	<u>Maricopa</u>
MONTH	<u>April</u>
	<u>2004</u>

(SEAL)

MY COMMISSION EXPIRES



SIGNATURE OF NOTARY PUBLIC

Cynthia M. Crawford

**VERIFICATION
AND
SWORN STATEMENT
RESIDENTIAL REVENUE
INTRASTATE REVENUES ONLY**

STATE OF ARIZONA

I, THE UNDERSIGNED

OF THE

(COUNTY NAME) <u>Maricopa</u>	
NAME (OWNER OR OFFICIAL) <u>Chris Froggatt</u>	TITLE <u>VP and Controller</u>
COMPANY NAME <u>Arizona Public Service Company</u>	

DO SAY THAT THIS ANNUAL UTILITY REPORT TO THE ARIZONA CORPORATION COMMISSION

FOR THE YEAR ENDING

MONTH	DAY	YEAR
12	31	2003

HAS BEEN PREPARED UNDER MY DIRECTION, FROM THE ORIGINAL BOOKS, PAPERS AND RECORDS OF SAID UTILITY; THAT I HAVE CAREFULLY EXAMINED THE SAME, AND DECLARE THE SAME TO BE A COMPLETE AND CORRECT STATEMENT OF BUSINESS AND AFFAIRS OF SAID UTILITY FOR THE PERIOD COVERED BY THIS REPORT IN RESPECT TO EACH AND EVERY MATTER AND THING SET FORTH, TO THE BEST OF MY KNOWLEDGE, INFORMATION AND BELIEF.

SWORN STATEMENT

IN ACCORDANCE WITH THE REQUIREMENTS OF TITLE 40, ARTICLE 8, SECTION 40-401.01, ARIZONA REVISED STATUTES, IT IS HEREIN REPORTED THAT THE GROSS OPERATING REVENUE OF SAID UTILITY DERIVED FROM ARIZONA INTRASTATE UTILITY OPERATIONS RECEIVED FROM RESIDENTIAL CUSTOMERS DURING CALENDAR YEAR 2003 WAS:

ARIZONA INTRASTATE GROSS OPERATING REVENUES

\$ 1,031,014,350

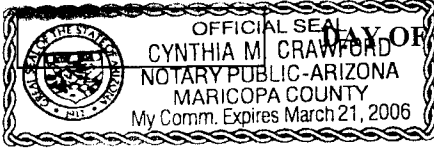
(THE AMOUNT IN BOX AT LEFT
INCLUDES \$ 67,498,091
IN SALES TAXES BILLED, OR COLLECTED

*RESIDENTIAL REVENUE REPORTED ON THIS PAGE
MUST INCLUDE SALES TAXES BILLED.

X Chris Froggatt
SIGNATURE OF OWNER OR OFFICIAL

SUBSCRIBED AND SWORN TO BEFORE ME

A NOTARY PUBLIC IN AND FOR THE COUNTY OF

THIS 14th DAY OF April
(SEAL) 

MY COMMISSION EXPIRES

NOTARY PUBLIC NAME <u>Cynthia M. Crawford</u>	
COUNTY NAME <u>Maricopa</u>	
MONTH <u>April</u>	20 <u>04</u>

X Cynthia M. Crawford
SIGNATURE OF NOTARY PUBLIC